RECRUIT

August 10, 2018

Recruit Holdings Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Three Months Ended June 30, 2018
(IFRS, Unaudited)

Tokyo, August 10, 2018 — Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") announced today its consolidated financial results for the three months ended June 30, 2018 (April 1, 2018 to June 30, 2018, "Q1 FY2018").

As used herein, the "Group" refers to Recruit Holdings Co., Ltd. and its subsidiaries unless the context indicates otherwise.

The Company's fiscal year is from April 1 to March 31, therefore FY2018 refers to the period from April 1, 2018 to March 31, 2019 and FY2017 refers to the period from April 1, 2017 to March 31, 2018.

(Amounts are rounded to the nearest million yen)

Consolidated Operating Results

	Three Months Ended June 30,		% change
(in millions of yen, unless otherwise stated)	2017	2018	
Revenue	524,396	567,277	8.2%
EBITDA[1]	71,881	78,727	9.5%
Operating income	56,326	67,839	20.4%
Profit before tax	59,115	67,731	14.6%
Profit for the period	40,460	47,592	17.6%
Profit attributable to owners of the parent	40,219	47,363	17.8%
Profit available for dividends[2]	39,251	45,011	14.7%
Total comprehensive income	49,565	57,547	16.1%
Earnings per share – Basic (yen)	24.08	28.35	-
Earnings per share – Diluted (yen)	24.03	28.29	-
Earnings per share – Adjusted[3] (yen)	25.34	29.37	15.9%

Consolidated Balance Sheet Data

(in millions of yen, unless otherwise stated)	As of March 31, 2018	As of June 30, 2018
Total assets	1,574,032	1,588,127
Total equity	840,660	879,473
Equity attributable to owners of the parent	835,605	874,104
Ratio of equity attributable to owners of the parent (%)	53.1%	55.0%

Dividends

(yen)	FY2017	FY2018	FY2018 (Forecast)
At the end of Q1	-	-	-
At the end of Q2	11.00		13.50
At the end of Q3	-		-
At the end of Q4	12.00		13.50
Total	23.00		27.00

Note: There is no revision of the dividends forecast from the previously announced figures.

Consolidated Financial Forecast for FY2018

(in millions of yen, unless otherwise stated)	FY2017	FY2018 (Forecast)	% change
Revenue	2,173,385	2,302,000	5.9%
EBITDA	258,413	285,000	10.3%
Operating income	191,794	210,000	9.5%
Profit attributable to owners of the parent	151,667	153,000	0.9%
Profit available for dividends	131,820	153,000	16.1%
Earnings per share – Basic (yen)	90.79	91.59	-
Earnings per share – Adjusted (yen)	86.74	101.76	17.3%

Note: There is no revision of the financial forecast from the previously announced figures.

Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation

Travel Book Philippines, Inc., PT. Go Online Destinations, and Mytour Vietnam company limited, in Overseas Marketing (Others, Marketing Solutions) in Media & Solutions were divested and excluded from this reporting period.

Changes in Accounting Policies and Changes in Accounting Estimates

There has been a change in (1) accounting policy required by IFRS, and no change in (2) other accounting policies except for item (1), or (3) accounting estimates.

Number of Shares Issued - Common Stock

	As of March 31, 2018	As of June 30, 2018
Number of shares issued including treasury stock	1,695,960,030	1,695,960,030
Number of treasury stock	25,412,567	25,221,170

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Average number of shares during the period	1,670,368,679	1,670,834,188

Definition of the Management KPIs

Below definitions apply to throughout this documentation.

1. EBITDA = operating income + depreciation and amortization ± other operating income/expenses
2. Profit available for dividends = profit attributable to owners of the parent ± non-recurring income/losses, etc.
3. Earnings per share – Adjusted or Adjusted EPS = adjusted profit [4] / (number of shares issued at the end of the period - number of treasury shares at the end of the period)
4. Adjusted profit = profit attributable to owners of the parent ± adjustment items [5] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
5. Adjustment items = amortization of intangible assets arising due to business combination ± non-recurring income/losses

Forward-Looking Statements

The consolidated financial forecasts mentioned in this document are forward-looking statements which incorporate the Company's assumptions and outlook for the future and estimates based on the Company's plans as of today. These forward-looking statements are based on information available to and certain assumptions by the Company as of today, and there can be no assurance that the relevant forecasts will be achieved. Please note that significant differences between the forecasts and actual results may arise from various factors in the future, including due to changes in economic conditions, changes in clients' needs and users' preferences, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other reasons. For the earnings forecast, please refer to "1. Management's Discussion and Analysis, Qualitative Information on Consolidated Financial Results Forecast."

Three-for-One Stock Split

The Company implemented a three-for-one stock split of its common stock effective on July 1, 2017. The number of shares issued (common stock) was calculated assuming that the stock split was implemented at the beginning of the previous fiscal year. Per share information is also calculated based on the same assumption.

Link for Presentation Slides and Video of Q1 FY2018 Earnings Results

https://recruit-holdings.com/ir/library/report/

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1. Management's Discussion and Analysis

Consolidated Results of Operations for Q1 FY2018

Results of Operations

(in billions of yen)	Three Months Ended June 30, 2017	2018	Variance	% change
Revenue[1]	524.3	567.2	42.8	8.2%
HR Technology	46.4	71.1	24.6	53.0%
Media & Solutions	165.2	173.5	8.3	5.0%
Staffing	318.0	329.1	11.0	3.5%
Operating income	56.3	67.8	11.5	20.4%
Profit before tax	59.1	67.7	8.6	14.6%
Profit for the period	40.4	47.5	7.1	17.6%
Profit attributable to owners of the parent	40.2	47.3	7.1	17.8%
Management KPI				
(in billions of yen, unless otherwise stated)				
EBITDA	71.8	78.7	6.8	9.5%
HR Technology	7.7	9.4	1.6	21.6%
Media & Solutions	43.1	47.3	4.2	9.8%
Staffing	20.6	24.0	3.4	16.7%
Earnings per share – Adjusted (yen)	25.34	29.37	4.04	15.9%
Average exchange rate during the period (yen)				
US dollar	111.09	109.10	(1.99)	-1.8%
Euro	122.26	130.03	7.77	6.4%
Australian dollar	83.43	82.59	(0.84)	-1.0%
Exchange rate effects on revenue[2, 3] (in billions of yen)				
Consolidated	-	3.5	-	-
Staffing segment: Overseas	-	4.6	-	-

[1] The total sum of the three segments does not correspond with consolidated revenue due to Eliminations and Adjustments, such as intra-group transactions.
[2] The amounts shown are calculated by: revenue for the current period in foreign currency x (foreign exchange rate applied for the reporting period - the rate applied for the same period of the previous year)
[3] Monthly average rates are applied to the HR Technology segment.

Overview

Recruit Holdings' consolidated revenue for Q1 FY2018 was 567.2 billion yen, an increase of 8.2% from the same period of the previous year. This was due to growth of all three segments, HR Technology, Media & Solutions and Staffing, among which the growth of HR Technology contributed significantly. The exchange rate movements positively impacted consolidated revenue during the period by 3.5 billion yen.

Consolidated operating income for Q1 FY2018 was 67.8 billion yen, an increase of 20.4% year on year. This was mainly attributable to higher profit in all three segments, as well as an increase in other operating income of 6.3 billion yen year on year resulting from sales of subsidiaries in Overseas Marketing recorded in the Others subsegment of Marketing Solutions in the Media & Solutions segment.

Profit before tax for Q1 FY2018 was 67.7 billion yen, an increase of 14.6% year on year.

Profit for the period was 47.5 billion yen, an increase of 17.6% year on year, and profit attributable to owners of the parent for Q1 FY2018 was 47.3 billion yen, an increase of 17.8%.

Management Key Performance Indicators

Consolidated EBITDA for Q1 FY2018 was 78.7 billion yen, an increase of 9.5% year on year mainly resulting from higher profit in all three segments, HR Technology, Media & Solutions and Staffing.

Adjusted EPS for Q1 FY2018 was 29.37 yen, an increase of 15.9% year on year, and profit available for dividends was 45.0 billion yen, an increase of 14.7%. To show the Company's earnings capability from operations more accurately, the profits and losses associated with the convertible bond issued by 51job, Inc., an equity-method affiliate of the Company, were included in the adjustment items as non-recurring income or losses from this quarter, whereas all of the profits and losses were not included in the previous quarters. The change was made because such profits and losses are originated from the same convertible bond from the same issuer, and the impact from the losses which had not been included in the adjustment items is expected to increase. Assuming this change was applied in Q1 FY2017, adjusted EPS increased by 15.5% year on year.

Management Measures for Q1 FY2018

Acquisition of Glassdoor, Inc.

The Company entered into a definitive agreement to acquire Glassdoor, Inc. ("Glassdoor"), which manages one of the world's largest and fastest-growing job websites with company reviews and insights, on May 9, 2018, and completed the acquisition on June 21, 2018 for 143.0 billion yen. Glassdoor is known for introducing greater workplace transparency through its database of company reviews, salary information and other company insights. In the mid-term, the Company seeks to further expand its HR Technology business in the United States and globally through both organic growth and M&A. The Company foresees significant opportunities for growth as Glassdoor and Indeed explore ways to collaborate to meet challenges faced by both job seekers and employers. This acquisition enhances the Company's position as the leader in job search, job aggregation, job seeker and employer matching, and utilizing direct job seeker input to improve the overall job search experience for job seekers and recruiting activities for employers.

For related information, please refer to the following releases:

"Announcement of Definitive Agreement for Acquisition of Glassdoor: Expanding capabilities of HR technology platform," released on May 9, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0509_8170.html

"Announcement of Completion of Glassdoor Acquisition," released on June 21, 2018:
https://recruit-holdings.com/ir/ir_news/2018/0621_8244.html

Results of Operations by Segment

HR Technology

This reportable segment consists of the operations of *Indeed*, an online job search engine and its related businesses. The operations of *Glassdoor*, an online jobs and recruiting site, were acquired on June 21, 2018. Profits and losses from Glassdoor's operations will impact the HR Technology segment's results from Q2 FY2018.

Quarterly revenue in the HR Technology segment was 71.1 billion yen, an increase of 53.0% year on year. This growth was mainly due to new customer acquisition and expanding spend from existing customers against the backdrop of a favorable economic environment and strong labor market. Quarterly revenue growth was 56.0% on a US dollar basis.

Quarterly segment EBITDA was 9.4 billion yen, an increase of 21.6% year on year. To support future revenue growth, the HR Technology segment continued to invest in sales and marketing activities to acquire new users and customers, and in product enhancements to increase user and customer engagement. The timing of these investments fluctuates throughout the year. EBITDA was also impacted by one-time costs of 1.19 billion yen associated with the acquisition of Glassdoor.

The operating results and relevant data for this reportable segment are as follows:

	Three Months Ended June 30,		Variance	% change
(in billions of yen, unless otherwise stated)	2017	2018		
Segment revenue	46.4	71.1	24.6	53.0%
Segment EBITDA	7.7	9.4	1.6	21.6%
Revenue in millions of US dollars[1]	418	652	234	56.0%

[1] This is the financial results of operating companies in this segment, which differ from the IFRS-based consolidated financial results of the Company.

Media & Solutions

In this reportable segment, a number of vertical platforms and related businesses are divided into two major operations: Marketing Solutions, which mainly offers solutions for clients' user attraction and business operations, and HR Solutions, which provides a full-range of HR services, mainly supporting enterprise clients' recruiting activities.

Quarterly revenue in the Media & Solutions segment was 173.5 billion yen, an increase of 5.0% year on year. This was primarily driven by increased revenue in the Beauty subsegmentin Marketing Solutions and increased revenue in HR Solutions.

Quarterly segment EBITDA was 47.3 billion yen, an increase of 9.8% year on year. This was mainly due to increased profit from both Marketing Solutions and HR Solutions resulting from revenue growth. Due to the new management structure effective on April 1, the treatment of cost allocations in intra-group transactions such as management service fees and general administrative fees was changed at the beginning of Q1 FY2018, resulting in a positive impact to segment EBITDA this quarter. Excluding this impact, segment EBITDA, EBITDA for Marketing Solutions and HR Solutions increased by 6.0%, 9.3%, 10.4%[1] year on year, respectively.

[1] Calculated based on managerial accounting figures.

The operating results and relevant data for this reportable segment are as follows:

(in billions of yen)	Three Month Ended June 30, 2017	2018	Variance	% change
Segment revenue	165.2	173.5	8.3	5.0%
Marketing Solutions	91.7	93.6	1.9	2.1%
Housing and Real Estate	24.6	24.2	(0.4)	-1.7%
Bridal	13.8	13.9	0.0	0.3%
Travel	13.6	14.0	0.3	2.8%
Dining	8.8	9.2	0.4	4.6%
Beauty	15.0	17.2	2.1	14.2%
Others	15.6	15.0	(0.6)	-4.1%
HR Solutions	71.2	79.0	7.7	10.9%
Recruiting in Japan	66.3	70.2	3.9	6.0%
Others	4.9	8.8	3.8	76.9%
Eliminations and Adjustments (Media & Solutions)	2.1	0.8	(1.3)	-62.6%
Segment EBITDA	43.1	47.3	4.2	9.8%
Marketing Solutions	24.7	27.9	3.2	13.1%
HR Solutions	20.7	23.3	2.5	12.4%
Eliminations and Adjustments (Media & Solutions)	(2.3)	(3.9)	(1.6)	-

Business KPIs	FY2017 Q1	Q2	Q3	Q4	FY2018 Q1
Hot Pepper Gourmet Number of seats reserved online (Dining)[1,2]	14.48	28.28	52.75	71.21	19.05
Hot Pepper Beauty Number of online reservation (Beauty)[1, 2]	18.24	37.95	57.58	78.23	22.72
AirREGI registered accounts[3]	292	305	318	333	349
Paid *Study Sapuri* users (Others, Marketing Solutions)[3, 4]	404	444	454	476	559
Market data					
Number of new housing construction starts (Housing and Real Estate) [5]	249,916	246,924	244,511	205,045	245,040
Job-offers to applicants ratio [6, 7] (Recruiting in Japan)	1.49	1.52	1.57	1.59	1.60

[1] Pre-cancellation reservation basis. Cumulative total from the beginning of each fiscal year.
[2] Figures are shown in millions.
[3] Figures are shown in thousands.
[4] Previously disclosed figures only included *Study Sapuri* users of high school courses. However, users for non high school courses have been increasing, therefore from this reporting period, figures indicate the total number of users for high school, junior high school, elementary school and English courses.
[5] Source: Statistical Survey of Construction Starts, Ministry of Land, Infrastructure, Transport and Tourism of Japan
[6] Source: Ministry of Health, Labour and Welfare of Japan
[7] Figures are the average of each month in each quarter.

Marketing Solutions

Housing and Real Estate

While the price of condominium apartments in metropolitan areas remains at a high level, the number of new construction starts for condominium apartments has been decreasing. In this environment, revenue in the independent housing division and leasing division grew as a result of sales initiatives to offer solutions to clients and efforts to attract more users to the platform. Meanwhile, overall subsegment revenue declined year on year, primarily due to the sale of a subsidiary during Q3 FY2017. As a result, quarterly revenue decreased by 1.7% year on year to 24.2 billion yen. Excluding the one-time impact of the sale of the subsidiary, quarterly revenue increased by 5.5%[1] year on year.

Bridal

Although the number of marrying couples has been declining in Japan mainly resulting from the declining birthrate, the Bridal subsegment focused on responding to the high demand from major wedding venue operators to attract marrying couples. As a result, quarterly revenue was 13.9 billion yen, an increase of 0.3% year on year.

Travel

Both the number of hotel guests booked and the price per night of hotels booked through its online reservation platform increased. As a result, quarterly revenue increased by 2.8% year on year to 14.0 billion yen.

Dining

While dining and restaurant operators continue to face a challenging environment mainly due to the workforce shortage in Japan, the subsegment focused on strengthening its relationship with clients by offering operational solutions, such as *Air Series,* and providing data analysis, which resulted in a gradual recovery in the paid advertisements on its platform. As a result, quarterly revenue increased by 4.6% year on year to 9.2 billion yen.

Beauty

In the Beauty subsegment, the number of online beauty salon reservations made through its platform, *Hot Pepper Beauty*, continued to show solid growth. This growth was a result of improved usability in addition to increased adoption by beauty salon clients of *SALON BOARD,* a cloud-based beauty salon vacancy management and support service. In addition, with a continued effort to extend its reach to non-urban areas and the outskirts of metropolitan areas, the number of beauty salon clients continued to increase year on year. As a result, quarterly revenue increased by 14.2% year on year to 17.2 billion yen.

Others

The Others subsegment includes Automobile, Post-secondary Education, Overseas Marketing, and *Air Series* businesses. Quarterly revenue decreased by 4.1% year on year to 15.0 billion yen. This is primarily due to a decrease in revenue resulting from the sale of subsidiaries in Overseas Marketing. Excluding the one-time impact of the sale of the subsidiaries, quarterly revenue increased by 5.6%[1] year on year.

[1] Calculated based on the managerial accounting numbers.

HR Solutions

Recruiting in Japan

The Japanese labor market remained extremely tight, as evidenced by a rising ratio of job-offers to applicants and the continuously high number of job advertisements. In this environment, the professional recruiting and placement division expanded specifically as a result of enhancing its brand values, strengthening user attractiveness, and reinforcing its sales structure. As a result, quarterly revenue increased by 6.0% to 70.2 billion yen.

Others

The Others subsegment includes the HR development business in Japan and placement service in Asia. From this reporting period, the recruiting assessment business, which was previously managed in the Recruiting in Japan subsegment, was transferred to this subsegment, resulting in an increase in quarterly revenue. As a result, quarterly revenue increased by 76.9% year on year to 8.8 billion yen.

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Staffing

In this reportable segment, there are two major operations: Japan and Overseas.

Quarterly revenue in the Staffing segment was 329.1 billion yen, an increase of 3.5% year on year. This was mainly due to higher revenue in Japan operations, which was supported by a continued labor shortage. In addition, movements in foreign exchange rates positively impacted revenue in overseas operations.

Quarterly segment EBITDA was 24.0 billion yen, an increase of 16.7% year on year. This was mainly due to increased revenue in Japan operations. EBITDA in Japan operations was positively impacted by the aforementioned change in the treatment of cost allocations in intra-group transactions. Excluding this impact, segment EBITDA increased by 13.4% year on year, and EBITDA of Japan operations increased by 12.2%[1].

[1] Calculated based on managerial accounting figures.

The operating results and relevant data for this reportable segment are as follows:

	Three Months Ended June 30,		Variance	% change
(in billions of yen)	2017	2018		
Segment revenue	318.0	329.1	11.0	3.5%
Japan	125.7	135.6	9.8	7.9%
Overseas	192.3	193.4	1.1	0.6%
Segment EBITDA	20.6	24.0	3.4	16.7%
Japan	11.3	13.4	2.0	18.1%
Overseas	9.2	10.5	1.3	15.0%

	FY2017				FY2018
Market data	Q1	Q2	Q3	Q4	Q1
Average number of active agency workers in Japan[1]	343,260	343,857	350,734	348,865	-

[1] Source: Japan Staffing Services Association
The figure for this reporting period has not been disclosed at the time of release of this document.

Japan

Demand for agency workers continued to be strong and the number of active agency workers remained at a high level. In this environment, Japan operations focused on increasing the number of agency workers and new staffing contracts, as well as extending existing staffing contracts. As a result, quarterly revenue increased by 7.9% year on year to 135.6 billion yen.

Overseas

Quarterly revenue was 193.4 billion yen, an increase of 0.6% year on year. The positive impact of foreign exchange rate movements was 4.6 billion yen and excluding this impact, quarterly revenue decreased by 1.8% year on year. This was primarily due to adopting the Unit Management System, which mainly focuses on profitability improvement. Revenue from some clients was recognized on a net basis instead of a gross basis due to the application of IFRS 15, resulting in a negative impact of 3.7 billion yen to revenue.

Capital Resources and Liquidity

Financial Principle

The Group's financial principle is to maintain a strong consolidated balance sheet by utilizing capital raised through borrowings, considering the ratings from Japanese domestic rating agencies as important references. For capital efficiency, the Group implements strict criteria for investment, and sets its ROE target to approximately 15%.

Use of Capital

The Company allocates its capital primarily to working capital, corporate taxes, mergers and acquisitions by each segment, asset acquisition, capital expenditures, repayments of borrowings, payment of interest, and payment of dividends. The Company completed the acquisition of Glassdoor for 143.0 billion yen on June 21, 2018.

Fund Raising

The Group's primary source of liquidity for working capital and investments is cash flow from operations. However, the Group may consider and execute external financing when various conditions are deemed favorable, such as demands for capital, interest rate trends, repayment amount and redemption period of existing interest-bearing debt. For short-term working capital, the Group primarily utilizes borrowings from financial institutions and/or commercial paper. For long-term capital needs, the Group raises funds mainly by borrowings from financial institutions and/or bonds. The Group has registered a maximum 200 billion yen worth of corporate bond issuance (unused amount as of end of Q1 FY2018 is 150 billion yen) to maintain flexible capital raising capability.

The Group also has entered into overdraft agreements with four financial institutions to secure liquidity and raise working capital efficiently. The maximum amount of borrowings in the overdraft commitment is 113 billion yen as of end of Q1 FY2018, and the entire amount remains unused.

Credit Ratings

The Group has long-term ratings of AA- from Rating and Investment Information, Inc. (R&I), A3 from Moody's Japan, and A- from S&P Global Rating Japan as of end of Q1 FY2018.

Cash Management

The Group prioritizes internal lending and borrowing within the Group over external financing, primarily through the cash management system to maximize capital efficiency, assuming legality and economic rationality.

Fund Management

The Group invests only in principal guaranteed financial instruments which are deemed safe and efficient, and not for speculative purposes.

Analysis of Consolidated Balance Sheet

(in billions of yen)	As of March 31, 2018	As of June 30, 2018	Variance
Assets			
Total current assets	770.9	655.9	(114.9)
Total non-current assets	803.0	932.1	129.0
Total assets	1.574.0	1,588.1	14.0
Liabilities			
Total current liabilities	447.7	422.8	(24.9)
Total non-current liabilities	285.6	285.8	0.1
Total liabilities	733.3	708.6	(24.7)
Equity			
Total equity attributable to owners of the parent	835.6	874.1	38.4
Non-controlling interests	5.0	5.3	0.3
Total equity	840.6	879.4	38.8

Assets

Total current assets as of June 30, 2018 decreased by 114.9 billion yen, or 14.9%, from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents of 111.5 billion yen. Non-current assets increased by 129.0 billion yen, or 16.1%, from the end of the previous fiscal year. This was mainly because of an increase in goodwill of 133.2 billion yen, mainly resulting from acquiring a subsidiary.

Liabilities

Current liabilities as of June 30, 2018 decreased by 24.9 billion yen, or 5.6%, from the end of the previous fiscal year. This was mainly due to a decrease in trade and other payables of 19.0 billion yen. Non-current liabilities increased by 0.1 billion yen, or 0.1%, from the end of the previous fiscal year. This was mainly due to a decrease in deferred tax liabilities of 4.9 billion yen and an increase in other non-current liabilities of 5.1 billion yen.

Equity

Total equity as of June 30, 2018 increased by 38.8 billion yen, or 4.6%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 33.9 billion yen, primarily resulting from the recording of profit attributable to owners of the parent.

Analysis of Consolidated Cash Flows

(in billions of yen)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Variance
Net cash flows from operating activities	25.8	48.0	22.2
Net cash flows from investing activities	(22.6)	(144.3)	(121.7)
Net cash flows from financing activities	(40.1)	(20.9)	19.2
Effect of exchange rate changes on cash and cash equivalents	(2.4)	5.7	8.2
Net increase (decrease) in cash and cash equivalents	(39.4)	(111.5)	(72.0)
Cash and cash equivalents at the beginning of the period	355.1	389.8	34.6
Cash and cash equivalents at the end of the period	315.7	278.3	(37.4)

Cash and cash equivalents as of June 30, 2018 was 278.3 billion yen, a decrease of 111.5 billion yen year on year, since cash outflows from investing and financing activities exceeded cash inflows from operating activities.

Cash Flows from Operating Activities

The main difference between cash flows from operating activities and 67.7 billion yen of profit before tax: the addition of 16.8 billion yen of depreciation and amortization, and the subtraction of 22.5 billion yen of income tax expense.

Cash Flows from Investing Activities

Cash used in investing activities primarily includes payment of 126.8 billion yen for acquiring a subsidiary.

Cash Flows from Financing Activities

Cash used in financing activities primarily includes 19.8 billion yen of dividends paid.

Qualitative Information on Consolidated Financial Results Forecast

There is no revision of financial forecasts for FY2018 from the figures announced on May 15, 2018.

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statement of Financial Position

(in millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	389,822	278,314
Trade and other receivables	323,116	312,682
Other current financial assets	19,864	19,957
Other current assets	38,159	45,031
Total current assets	770,962	655,986
Non-current assets		
Property, plant and equipment	57,211	62,455
Goodwill	312,944	446,177
Intangible assets	229,232	228,117
Investments in associates and joint ventures	43,950	41,291
Other non-current financial assets	118,038	128,338
Deferred tax assets	35,590	19,019
Other non-current assets	6,102	6,741
Total non-current assets	803,070	932,141
Total assets	1,574,032	1,588,127

(in millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	204,172	185,117
Bonds and borrowings	24,068	24,661
Other financial liabilities	1,356	1,332
Income tax payables	20,991	13,169
Provisions	7,034	3,571
Other current liabilities	190,145	194,997
Total current liabilities	447,768	422,851
Non-current liabilities		
Bonds and borrowings	159,007	161,608
Other financial liabilities	4,860	1,705
Provisions	5,043	5,574
Net defined benefit liability	45,781	45,774
Deferred tax liabilities	53,172	48,207
Other non-current liabilities	17,738	22,931
Total non-current liabilities	285,603	285,803
Total liabilities	733,372	708,654
Equity		
Equity attributable to owners of the parent		
Common stock	10,000	10,000
Share premium	50,115	49,978
Retained earnings	811,287	845,204
Treasury stock	(32,049)	(32,415)
Other components of equity	(3,748)	1,336
Total equity attributable to owners of the parent	835,605	874,104
Non-controlling interests	5,055	5,368
Total equity	840,660	879,473
Total liabilities and equity	1,574,032	1,588,127

(2) Condensed Consolidated Statement of Profit and Loss

For the Three-Month Period

(in millions of yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Revenue	524,396	567,277
Cost of sales	282,760	290,295
Gross profit	241,635	276,982
Selling, general and administrative expenses	184,283	215,088
Other operating income	351	7,042
Other operating expenses	1,377	1,096
Operating income	56,326	67,839
Share of profit (loss) of associates and joint ventures	1,202	(2,010)
Finance income	1,850	2,095
Finance costs	264	192
Profit before tax	59,115	67,731
Income tax expense	18,655	20,139
Profit for the period	40,460	47,592
Profit attributable to:		
Owners of the parent	40,219	47,363
Non-controlling interests	240	228
Profit for the period	40,460	47,592
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	24.08	28.35
Diluted earnings per share (yen)	24.03	28.29

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(3) Condensed Consolidated Statement of Comprehensive Income

For the Three-Month Period

(in millions of yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Profit for the period	40,460	47,592
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(1,626)	5,260
Remeasurements of defined benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	(5)	(19)
Subtotal	(1,631)	5,240
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	10,200	4,300
Effective portion of the change in the fair value of cash flow hedges	536	413
Subtotal	10,737	4,714
Other comprehensive income (loss) for the period, net of tax	9,105	9,955
Comprehensive income for the period	49,565	57,547
Comprehensive income attributable to:		
Owners of the parent	49,324	57,197
Non-controlling interests	241	350
Total comprehensive income	49,565	57,547

(4) Condensed Consolidated Statement of Changes in Equity

For the Three Months Ended June 30, 2017

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792
Profit for the period			40,219				
Other comprehensive income						10,199	536
Comprehensive income for the period	-	-	40,219	-	-	10,199	536
Transfer from other components of equity to retained earnings			(1,631)				
Purchase of treasury stock				(1,062)			
Disposal of treasury stock		(75)		351	(275)		
Dividends			(36,195)				
Share-based payments					1,026		
Equity transactions with non-controlling interests		(2,222)					
Other		(17)	634				
Transactions with owners - total	-	(2,315)	(37,193)	(711)	750	-	-
Balance at June 30, 2017	10,000	50,214	717,082	(32,351)	3,971	(1,183)	1,329

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total		
Balance at April 1, 2017	-	-	(7,369)	737,575	5,190	742,765
Profit for the period			-	40,219	240	40,460
Other comprehensive income	(1,631)		9,105	9,105	0	9,105
Comprehensive income for the period	(1,631)	-	9,105	49,324	241	49,565
Transfer from other components of equity to retained earnings	1,631		1,631	-		-
Purchase of treasury stock			-	(1,062)		(1,062)
Disposal of treasury stock			(275)	0		0
Dividends			-	(36,195)		(36,195)
Share-based payments			1,026	1,026		1,026
Equity transactions with non-controlling interests			-	(2,222)	(649)	(2,872)
Other			-	617	(12)	604
Transactions with owners - total	1,631	-	2,382	(37,837)	(661)	(38,499)
Balance at June 30, 2017	-	-	4,117	749,062	4,769	753,832

For the Three Months Ended June 30, 2018

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury stock	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2018	10,000	50,115	811,287	(32,049)	3,723	(8,354)	881
Cumulative effects of changes in accounting policies			1,360				
Restated balance	10,000	50,115	812,647	(32,049)	3,723	(8,354)	881
Profit for the period			47,363				
Other comprehensive income						4,179	413
Comprehensive income for the period	-	-	47,363	-	-	4,179	413
Transfer from other components of equity to retained earnings			5,240				
Purchase of treasury stock				(1,078)			
Disposal of treasury stock		(153)		711	(557)		
Dividends			(20,046)				
Share-based payments					1,049		
Equity transactions with non-controlling interests							
Other		16					
Transactions with owners - total	-	(137)	(14,806)	(366)	491	-	-
Balance at June 30, 2018	10,000	49,978	845,204	(32,415)	4,215	(4,174)	1,295

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Net change in financial assets measured at fair value through other compre-hensive income	Remea-surements of defined benefit plans	Total	Total		
Balance at April 1, 2018	-	-	(3,748)	835,605	5,055	840,660
Cumulative effects of changes in accounting policies				1,360		1,360
Restated balance	-	-	(3,748)	836,965	5,055	842,020
Profit for the period			-	47,363	228	47,592
Other comprehensive income	5,240		9,834	9,834	121	9,955
Comprehensive income for the period	5,240	-	9,834	57,197	350	57,547
Transfer from other components of equity to retained earnings	(5,240)		(5,240)	-		-
Purchase of treasury stock			-	(1,078)		(1,078)
Disposal of treasury stock			(557)	0		0
Dividends			-	(20,046)		(20,046)
Share-based payments			1,049	1,049		1,049
Equity transactions with non-controlling interests			-	-		-
Other			-	16	(36)	(19)
Transactions with owners - total	(5,240)	-	(4,748)	(20,058)	(36)	(20,094)
Balance at June 30, 2018	-	-	1,336	874,104	5,368	879,473

(5) Condensed Consolidated Statement of Cash Flows

(in millions of yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Cash flows from operating activities		
Profit before tax	59,115	67,731
Depreciation and amortization	14,530	16,833
Gain on sales of investments in subsidiaries	-	(6,337)
(Increase) decrease in trade and other receivables	14,746	14,639
Increase (decrease) in trade and other payables	(14,651)	(18,508)
Other	(13,178)	(5,420)
Subtotal	60,562	68,938
Interest and dividends received	694	1,656
Interest paid	(3)	(39)
Income tax paid	(35,424)	(22,525)
Net cash flows from operating activities	25,829	48,030
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(4,848)	(6,718)
Payment for purchase of intangible assets	(11,079)	(14,102)
Payment for purchase of shares of subsidiaries	(3,478)	(126,899)
Proceeds from sales of shares of subsidiaries	-	6,992
Other	(3,222)	(3,667)
Net cash flows from investing activities	(22,628)	(144,395)
Cash flows from financing activities		
Payment for purchase of treasury stock	(1,062)	(1,078)
Dividends paid	(35,605)	(19,857)
Other	(3,521)	17
Net cash flows from financing activities	(40,188)	(20,917)
Effect of exchange rate changes on cash and cash equivalents	(2,447)	5,775
Net increase (decrease) in cash and cash equivalents	(39,435)	(111,507)
Cash and cash equivalents at the beginning of the period	355,196	389,822
Cash and cash equivalents at the end of the period	315,761	278,314

(6) Going Concern Assumption

Not applicable.

(7) Notes to Condensed Consolidated Financial Statements

1. Change in Accounting Policies

The Group has applied IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (collectively, “IFRS 15”) from the three months ended June 30, 2018.
In applying IFRS 15, the Group adopts a method of recognizing the cumulative effect of applying this standard at the date of initial application, which is accepted as a transitional measure.

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The incremental costs of obtaining a contract are recognized as an asset (“asset recognized for costs of obtaining contracts”) if those costs are expected to be recoverable.
The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.
An asset recognized for costs of obtaining contracts is amortized on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates, unless the amortization period of the asset is one year or less.
If the amortization period of the asset is one year or less, the incremental costs of obtaining a contract are expensed when incurred by applying the practical expedient specified in IFRS 15.
Thus, certain costs (such as sales commission) which were expensed under the previous accounting standards are capitalized.
As a result, compared with the previous accounting standard, as of the beginning of the three months ended June 30, 2018, other current assets increased by 1,764 million yen, retained earnings increased by 1,360 million yen, and deferred tax assets decreased by 540 million yen, among other changes.
In addition, for transactions where another party is involved in providing services to customers, the Group examined whether it has control over the services before the satisfaction of the performance obligations related to the services, and then has determined that it does not have control over the services.
Accordingly, revenues from certain customers which were presented on a gross basis are presented on a net basis.
As a result, compared with the previous accounting standards, in the condensed consolidated statement of profit or loss for the three months ended June 30, 2018, revenue and cost of sales decreased by 3,785 million yen, respectively.

2. Business Combinations

For the Three Months Ended June 30, 2017

No significant business combinations occurred during the three months ended June 30, 2017.

For the Three Months Ended June 30, 2018

(1) Stock acquisition of Glassdoor, Inc.

1) Name of the acquiree and description of its business

Name of the acquiree: Glassdoor, Inc. (“Glassdoor”)

Description of business: Operations of online job information site

2) Date of acquisition

June 21, 2018

3) Percentage of voting equity interests acquired

100%

4) Main reason for the business combination

In the mid-term, the Company seeks to further expand its HR Technology business in the United States and globally through both organic growth and M&A. The Company foresees significant opportunities for growth as Glassdoor and Indeed explore ways to collaborate to meet challenges faced by both job seekers and employers. This acquisition enhances the Company’s position as the leader in job search, job aggregation, job seeker and employer matching, and utilizing direct job seeker input to improve the overall job search experience for job seekers and recruiting activities for employers.

5) Method of obtaining control of the acquiree

Stock acquisition in exchange for cash as consideration

6) Component of goodwill recognized

Excess earning power expected from future business development

7) Consideration paid for acquisition and breakdown thereof

(in millions of yen)

Consideration	Amount
Cash and cash equivalents	143,097
Total	143,097

Note: The amount of consideration paid is converted from 1,295 million US dollars at the spot exchange rate as of the acquisition date and includes the adjustments, etc. of net cash held by Glassdoor.

8) Fair values of assets and liabilities and goodwill as of the acquisition date

(in millions of yen)

Item	Amount
Current assets[1]	21,217
Non-current assets	1,968
Total assets	23,186
Current liabilities[2]	11,442
Non-current liabilities	1,002
Total liabilities	12,444
Net assets	10,741
Goodwill[3]	132,355
Total	143,097

Amounts for assets acquired, liabilities assumed, and goodwill are provisionally determined as the allocation of the cost has not been completed.

[1] Cash and cash equivalents of 16,197 million yen are included. The fair value of trade receivables acquired is 3,469 million yen.
[2] Deferred income of 9,167 million yen is included.
[3] The amount of goodwill is provisionally determined as the allocation of the cost has not been completed.

9) Revenue and profit of the acquiree after the date of acquisition recognized in the condensed consolidated statement of profit or loss
Revenue and profit of the acquiree after the date of acquisition are not stated as they are immaterial.

10) Revenue and profit for the three months ended June 30, 2018, assuming the acquisition date was at the beginning of the current fiscal year
Effects on the Group's revenue and profit under the assumption that the business combination was conducted at the beginning of the current fiscal year are not stated as they are immaterial.

11) Acquisition-related expenses
Acquisition-related expenses associated with the business combination were 1,193 million yen, which are recorded in "Selling, general and administrative expenses" in the condensed consolidated statement of profit or loss.

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3. Operating Segments

(1) Overview of Reportable Segments

The Group's reportable segments are those components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance.
The Group has three reportable segments by type of business, namely, (1) HR Technology segment, (2) Media & Solutions segment, and (3) Staffing segment.
The HR Technology segment consists of the operations of *Indeed*, an online job search engine and its related businesses.
The Media & Solutions segment consists of two business operations, namely, the Marketing Solutions and the HR Solutions.
The Staffing segment consists of two business operations, namely, Japan and Overseas.

(2) Information on Reportable Segments

Income of reportable segments is EBITDA (operating income + depreciation and amortization ± other operating income/expenses). Segment profit of eliminations and adjustments includes corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in transactions with third parties. Segment assets are not stated as they are not calculated.

For the Three Months Ended June 30, 2017

(in millions of yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	45,367	164,248	314,780	524,396	-	524,396
Intersegment revenue or transfers	1,121	953	3,283	5,358	(5,358)	-
Total	46,488	165,202	318,063	529,754	(5,358)	524,396
Segment profit (loss)	7,768	43,169	20,602	71,540	341	71,881
Depreciation and amortization						14,530
Other operating income						351
Other operating expenses						1,377
Operating income						56,326
Share of profit (loss) of associates and joint ventures						1,202
Finance income						1,850
Finance costs						264
Profit before tax						59,115

For the Three Months Ended June 30, 2018

(in millions of yen)

	Reportable Segment				Eliminations and Adjustments	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	69,745	171,988	325,543	567,277	-	567,277
Intersegment revenue or transfers	1,361	1,555	3,566	6,483	(6,483)	-
Total	71,107	173,543	329,110	573,760	(6,483)	567,277
Segment profit (loss)	9,447	47,386	24,038	80,872	(2,145)	78,727
Depreciation and amortization						16,833
Other operating income						7,042
Other operating expenses						1,096
Operating income						67,839
Share of profit (loss) of associates and joint ventures						(2,010)
Finance income						2,095
Finance costs						192
Profit before tax						67,731